

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF NORTH MERCER WATER)
DISTRICT OF MERCER COUNTY, KENTUCKY,)
FOR (1) A CERTIFICATE OF PUBLIC CON-)
VENIENCE AND NECESSITY, AUTHORIZING)
AND PERMITTING SAID WATER DISTRICT TO)
CONSTRUCT A WATERWORKS CONSTRUCTION)
PROJECT CONSISTING OF EXTENSIONS, ADDI-)
TIONS, AND IMPROVEMENTS TO THE EXISTING) CASE NO. 8310
WATERWORKS SYSTEM OF THE DISTRICT; (2))
APPROVAL OF PROPOSED CHANGE IN DISTRICT)
SERVICE BOUNDARIES; (3) APPROVAL OF THE)
PROPOSED PLAN OF FINANCING OF SAID PROJ-)
ECT; AND (4) APPROVAL OF THE INCREASED)
WATER RATES PROPOSED TO BE CHARGED BY THE)
DISTRICT TO CUSTOMERS OF THE DISTRICT)

O R D E R

On October 1, 1982, the Commission issued an Order in the above-styled matter adjusting the water rates of North Mercer Water District ("North Mercer"). On October 12, 1982, North Mercer filed its application for rehearing. In support of the application for rehearing, North Mercer stated that the Commission had failed to consider its Amended Exhibit O in the calculation of increased purchased water cost, decreased revenues from lost truck water sales, and increased expenses due to increased volume usage. In this Order the Commission has granted North Mercer an additional \$25,383 over and above the original increase granted of \$60,217 on October 1, 1982.

Amended Exhibit O was inadvertently not filed in the evidence of record on which the Commission based its decision. North Mercer supplemented the evidence of record by including its Amended Exhibit O as an attachment to its application for rehearing. Amended Exhibit O, the billing analysis for the test period 1981, supports North Mercer's contention that purchased water costs and variable expenses based on usage were understated in the Commission's Order dated October 1, 1982. Therefore, the Commission has modified that Order to take into consideration Amended Exhibit O. The Commission's revised calculations of North Mercer's adjusted test period operating revenues and expenses are set out in Appendix B to this Order. Truck water sales reflect the estimated annual loss of revenue from line extension.

Based on adjusted test period revenues and expenses in Appendix B, the Commission is of the opinion and finds that North Mercer is in need of additional revenues of \$85,600 in order to pay its operating expenses and meet the requirements of its bondholders. The increase is calculated as follows:

Adjusted Operating Expenses +	\$ 197,669
1.2X Debt Service Coverage	88,565
Required Revenue	<u>\$ 286,234</u>
Less: Adjusted Operating Revenues +	
Adjusted Interest Income of \$4,072	<u>200,634</u>
Increase Granted	<u><u>\$ 85,600</u></u>

Summary

The Commission, after further consideration of the record and being fully advised, is of the opinion and finds that:

1) North Mercer's application for rehearing offers additional evidence of increased revenue requirements.

2) Sufficient information upon which to base a decision on the validity of additional costs is offered in the application for rehearing. Therefore, a hearing in this matter would not be in the public interest as the additional cost incurred during the hearing process would result in increased expenses for the utility and ultimately higher rates for the ratepayer.

3) The rates and charges in amended Appendix A are the fair, just and reasonable rates and charges for North Mercer to charge its customers for water service rendered on and after the date of this Order in that they will produce total operating revenues of \$286,234.

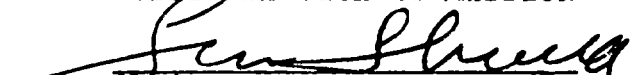
IT IS THEREFORE ORDERED that the application for rehearing based on the inclusion of Amended Exhibit O in the evidence of record be and it hereby is granted.

IT IS FURTHER ORDERED that the rates and charges in Appendix A be and they hereby are approved for service rendered on and after the date of this Order.


IT IS FURTHER ORDERED that all other provisions of the Commission's October 1, 1982, Order be and they hereby are affirmed.

Done at Frankfort, Kentucky, this 26th day of October, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8310 DATED OCTOBER 26, 1982

The following rates are prescribed for the customers in the area served by North Mercer Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATES: Monthly

First	1,000 gallons	\$ 7.00 Minimum Bill
Next	2,000 gallons	2.90 per 1,000 gallons
Next	2,000 gallons	2.70 per 1,000 gallons
Next	5,000 gallons	2.55 per 1,000 gallons
Over	10,000 gallons	2.40 per 1,000 gallons

Loading Station

\$.50 per 160 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION, IN CASE NO. 8310 DATED OCTOBER 26, 1982

CALCULATIONS

OPERATING REVENUES (Existing Rates)

Water Sales from Existing Customers	\$133,174
Water Sales from New Customers	55,337
Truck Sales of Water	<u>8,051</u>
Total	<u>\$196,562</u>

OPERATING EXPENSES

1) Purchased Water Expense \$112,253

Test year M. Gal. Purchases + M. Gal.
Purchases for New Customers - Reduction
In M. Gal. Purchases from Loss of Truck
Water Sales X \$1.103/M. Gal. ; (76,785 M.
Gal. + 27,758 M. Gal. - 2,772 M. Gal.) X
\$1.103

2) Other Operation and Maintenance Expenses

Variable: \$ 22,644

Maintenance of Meters	\$ 770
Maintenance of Mains	2,516
Accounting & Collecting	
($\frac{1}{2}$ variable)	7,747
Supplies & Expenses	4,236
Taxes Other Than Income Taxes	<u>1,818</u>
	\$17,087
+ purchases	
for 1981 (76,785 M. Gal.) =	\$.2225 per M. Gal.
\$.2225 X expected purchases	
(101,771 M. Gal.) =	\$22,644

Other Variable: \$ 6,931

Meter Reading Labor (40¢/meter X 1,086
customers X 12 mos./yr.) = \$5,213
Uncollectible Accounts (.00585% of
estimated sales) = \$1,718

Fixed:

\$ 26,385

Administrative & General Expense	\$ 4,800
Office Supplies Expense	5,015
Accounting & Collecting (½ fixed)	7,747
Outside Services	3,150
Regulatory Commission Expense	1,500
Miscellaneous General Expense	1,664
Transportation Expense	732
Property Insurance	<u>1,777</u>

\$26,385

3) Depreciation

\$ 29,456

$$\frac{\text{Expense for 1981}}{\text{Total Plant}} = \frac{\$ 20,410}{\$750,416} = 2.71\%$$

Total Depreciable Plant (\$750,416) less Contributions
in Aid of Construction (\$582,283) =
Allowable Depreciable Plant (\$168,133) X
2.71% = \$4,556 present plant

Allowable Depreciation on Proposed Plant =
\$1,245,000 @ 2% = \$24,900
Total Allowable Depreciation = \$4,556 +
\$24,900 = \$29,456

TOTAL OPERATING EXPENSES

\$197,669

OPERATING INCOME (Loss)

(\$1,107)